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After Mining Deal, Financier Donated to Clinton

By **JO BECKER** and **DON VAN NATTA Jr.** JAN. 31, 2008



DONATING MILLIONS Former President Bill Clinton with Sir Tom Hunter, left, and Frank Giustra, major donors to Mr. Clinton's charitable foundation. Evelyn Hockstein for *The New York Times*

Late on Sept. 6, 2005, a private plane carrying the Canadian mining financier Frank Giustra touched down in Almaty, a ruggedly picturesque city in southeast Kazakhstan. Several hundred miles to the west a fortune awaited: highly coveted deposits of uranium that could fuel nuclear reactors around the world. And Mr. Giustra was in hot pursuit of an exclusive deal to tap them.

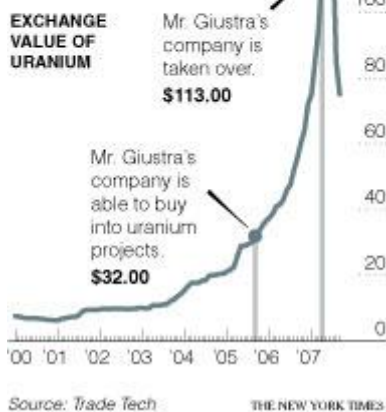
Unlike more established competitors, Mr. Giustra was a newcomer to uranium mining in Kazakhstan, a former Soviet republic. But what his fledgling company lacked in experience, it made up for in connections. Accompanying Mr. Giustra on his luxuriously appointed MD-87 jet that day was a former president of the United States, **Bill Clinton**.

Upon landing on the first stop of a three-country philanthropic tour, the two men were whisked off to share a sumptuous midnight banquet with Kazakhstan's president, Nursultan A. Nazarbayev, whose 19-year stranglehold on the country has all but quashed political dissent.

Mr. Nazarbayev walked away from the table with a propaganda coup, after Mr. Clinton expressed enthusiastic support for the Kazakh leader's bid to head an international organization that monitors elections and supports democracy. Mr. Clinton's public declaration undercut both American foreign policy and sharp criticism of Kazakhstan's poor human rights record by, among others, Mr. Clinton's wife, Senator **Hillary Rodham Clinton** of New York.

A Spike in Uranium Prices

In September 2005, the Canadian mining financier Frank Giustra's company won the right to buy into three Kazakhstan uranium projects. His timing was fortunate; the price of uranium more than tripled before the company was acquired in a \$3.1 billion friendly takeover finalized in April 2007.



Within two days, corporate records show that Mr. Giustra also came up a winner when his company signed preliminary agreements giving it the right to buy into three uranium projects controlled by Kazakhstan's state-owned uranium agency, Kazatomprom.

The monster deal stunned the mining industry, turning an unknown shell company into one of the world's largest uranium producers in a transaction ultimately worth tens of millions of dollars to Mr. Giustra, analysts said.

Just months after the Kazakh pact was finalized, Mr. Clinton's charitable foundation received its own windfall: a \$31.3 million donation from Mr. Giustra that had remained a secret until he acknowledged it last month. The gift, combined with Mr. Giustra's more recent and public pledge to give the William J. Clinton Foundation an additional \$100 million, secured Mr. Giustra a place in Mr. Clinton's inner circle, an exclusive club of wealthy entrepreneurs in which friendship with the former president has its privileges.

Mr. Giustra was invited to accompany the former president to Almaty just as the financier was trying to seal a deal he had been negotiating for months.

In separate written responses, both men said Mr. Giustra traveled with Mr. Clinton to Kazakhstan, India and China to see

first-hand the philanthropic work done by his foundation.

A spokesman for Mr. Clinton said the former president knew that Mr. Giustra had mining interests in Kazakhstan but was unaware of “any particular efforts” and did nothing to help. Mr. Giustra said he was there as an “observer only” and there was “no discussion” of the deal with Mr. Nazarbayev or Mr. Clinton.

But Moukhtar Dzhakishev, president of Kazatomprom, said in an interview that Mr. Giustra did discuss it, directly with the Kazakh president, and that his friendship with Mr. Clinton “of course made an impression.” Mr. Dzhakishev added that Kazatomprom chose to form a partnership with Mr. Giustra’s company based solely on the merits of its offer.

After The Times told Mr. Giustra that others said he had discussed the deal with Mr. Nazarbayev, Mr. Giustra responded that he “may well have mentioned my general interest in the Kazakhstan mining business to him, but I did not discuss the ongoing” efforts.

As Mrs. Clinton’s presidential campaign has intensified, Mr. Clinton has begun severing financial ties with Ronald W. Burkle, the supermarket magnate, and Vinod Gupta, the chairman of InfoUSA, to avoid any conflicts of interest. Those two men have harnessed the former president’s clout to expand their businesses while making the Clintons rich through partnership and consulting arrangements.

Mr. Clinton has vowed to continue raising money for his foundation if Mrs. Clinton is elected president, maintaining his connections with a wide network of philanthropic partners.

Mr. Giustra said that while his friendship with the former president “may have elevated my profile in the news media, it has not directly affected any of my business transactions.”

Mining colleagues and analysts agree it has not hurt. Neil MacDonald, the chief executive of a Canadian merchant bank that specializes in mining deals, said Mr. Giustra’s financial success was partly due to a “fantastic network” crowned by Mr. Clinton. “That’s a very solid relationship for him,” Mr. MacDonald said. “I’m sure it’s very much a two-way relationship because that’s the way Frank operates.”

Foreseeing Opportunities

Mr. Giustra made his fortune in mining ventures as a broker on the Vancouver Stock Exchange, raising billions of dollars and developing a loyal following of investors. Just as the mining sector collapsed, Mr. Giustra, a lifelong film buff, founded the Lion’s Gate Entertainment Corporation in 1997. But he sold the studio in 2003 and returned to mining.

Mr. Giustra foresaw a bull market in gold and began investing in mines in Argentina, Australia and Mexico. He turned a \$20 million shell company into a powerhouse that, after a \$2.4 billion merger with Goldcorp Inc., became Canada’s second-largest gold company.

With a net worth estimated in the hundreds of millions of dollars, Mr. Giustra began looking for ways to put his wealth to good use. Meeting Mr. Clinton, and learning about the work his foundation was doing on issues like AIDS treatment in poor countries, “changed my life,” Mr. Giustra told The Vancouver Sun.

The two men were introduced in June 2005 at a fund-raiser for tsunami victims at Mr. Giustra's Vancouver home and hit it off right away. They share a love of history, geopolitics and music — Mr. Giustra plays the trumpet to Mr. Clinton's saxophone. Soon the dapper Canadian was a regular at Mr. Clinton's side, as they flew around the world aboard Mr. Giustra's plane.

Philanthropy may have become his passion, but Mr. Giustra, now 50, was still hunting for ways to make money.

Exploding demand for energy had helped revitalize the nuclear power industry, and uranium, the raw material for reactor fuel, was about to become a hot commodity. In late 2004, Mr. Giustra began talking to investors, and put together a company that would eventually be called UrAsia Energy Ltd.

Kazakhstan, which has about one-fifth of the world's uranium reserves, was the place to be. But with plenty of suitors, Kazatomprom could be picky about its partners. "Everyone was asking Kazatomprom to the dance," said Fadi Shadid, a senior stock analyst covering the uranium industry for Friedman Billings Ramsey, an investment bank. "A second-tier junior player like UrAsia — you'd need all the help you could get."

The Cameco Corporation, the world's largest uranium producer, was already a partner of Kazatomprom. But when Cameco expressed interest in the properties Mr. Giustra was already eying, the government's response was lukewarm. "The signals we were getting was, you've got your hands full," said Gerald W. Grandey, Cameco president.

For Cameco, it took five years to "build the right

connections” in Kazakhstan, Mr. Grandey said. UrAsia did not have that luxury. Profitability depended on striking before the price of uranium soared.

“Timing was everything,” said Sergey Kurzin, a Russian-born businessman whose London-based company was brought into the deal by UrAsia because of his connections in Kazakhstan. Even with those connections, Mr. Kurzin said, it took four months to arrange a meeting with Kazatomprom.

In August 2005, records show, the company sent an engineering consultant to Kazakhstan to assess the uranium properties. Less than four weeks later, Mr. Giustra arrived with Mr. Clinton.

Mr. Dzhakishev, the Kazatomprom chief, said an aide to Mr. Nazarbayev informed him that Mr. Giustra talked with Mr. Nazarbayev about the deal during the visit. “And when our president asked Giustra, ‘What do you do?’ he said, ‘I’m trying to do business with Kazatomprom,’ ” Mr. Dzhakishev said. He added that Mr. Nazarbayev replied, “Very good, go to it.”

Mr. Clinton’s Kazakhstan visit, the only one of his post-presidency, appears to have been arranged hastily. The United States Embassy got last-minute notice that the president would be making “a private visit,” said a State Department official, who said he was not authorized to speak on the record.

The publicly stated reason for the visit was to announce a Clinton Foundation agreement that enabled the government to buy discounted AIDS drugs. But during a news conference, Mr. Clinton wandered into delicate territory by commending Mr. Nazarbayev for “opening up the social and political life of your

country.”

In a statement Kazakhstan would highlight in news releases, Mr. Clinton declared that he hoped it would achieve a top objective: leading the Organization for Security and Cooperation in Europe, which would confer legitimacy on Mr. Nazarbayev’s government.



HIGH-LEVEL MEETING Mr. Clinton with Nursultan A. Nazarbayev, president of Kazakhstan, in September 2005.

“I think it’s time for that to happen, it’s an important step, and I’m glad you’re willing to undertake it,” Mr. Clinton said.

A Speedy Process

Mr. Clinton’s praise was odd, given that the United States did not support Mr. Nazarbayev’s bid. (Late last year, Kazakhstan finally won the chance to lead the security organization for one year, despite concerns raised by the Bush administration.) Moreover, Mr. Clinton’s wife, who sits on a Congressional commission with oversight of such matters, had also voiced skepticism.

Eleven months before Mr. Clinton’s statement, Mrs. Clinton co-signed a commission letter to the State Department that sounded “alarm bells” about the prospect that Kazakhstan might head the group. The letter stated that Kazakhstan’s bid “would not be acceptable,” citing “serious corruption,” canceled elections and government control of the news media.

In a written statement to The Times, Mr. Clinton's spokesman said the former president saw "no contradiction" between his statements in Kazakhstan and the position of Mrs. Clinton, who said through a spokeswoman, "Senator Clinton's position on Kazakhstan remains unchanged."

Noting that the former president also met with opposition leaders in Almaty, Mr. Clinton's spokesman said he was only "seeking to suggest that a commitment to political openness and to fair elections would reflect well on Kazakhstan's efforts to chair the O.S.C.E."

But Robert Herman, who worked for the State Department in the Clinton administration and is now at Freedom House, a human rights group, said the former president's statement amounted to an endorsement of Kazakhstan's readiness to lead the group, a position he called "patently absurd."

"He was either going off his brief or he was sadly mistaken," Mr. Herman said. "There was nothing in the record to suggest that they really wanted to move forward on democratic reform."

Indeed, in December 2005, Mr. Nazarbayev won another election, which the security organization itself said was marred by an "atmosphere of intimidation" and "ballot-box stuffing."

After Mr. Nazarbayev won with 91 percent of the vote, Mr. Clinton sent his congratulations. "Recognizing that your work has received an excellent grade is one of the most important rewards in life," Mr. Clinton wrote in a letter released by the Kazakh embassy. Last September, just weeks after Kazakhstan held an election that once again failed to meet international standards,

Mr. Clinton honored Mr. Nazarbayev by inviting him to his annual philanthropic conference.

Within 48 hours of Mr. Clinton's departure from Almaty on Sept. 7, Mr. Giustra got his deal. UrAsia signed two memorandums of understanding that paved the way for the company to become partners with Kazatomprom in three mines.

The cost to UrAsia was more than \$450 million, money the company did not have in hand and had only weeks to come up with. The transaction was finalized in November, after UrAsia raised the money through the largest initial public offering in the history of Canada's Venture Exchange.

Mr. Giustra challenged the notion that UrAsia needed to court Kazatomprom's favor to seal the deal, contending that the government agency's approval was not required.

But Mr. Dzhakishev, analysts and Mr. Kurzin, one of Mr. Giustra's own investors, said that approval was necessary. Mr. Dzhakishev, who said that the deal was almost done when Mr. Clinton arrived, said that Kazatomprom was impressed with the sum Mr. Giustra was willing to pay and his record of attracting investors. He said Mr. Nazarbayev himself ultimately signed off on the transaction.

Longtime market watchers were confounded. Kazatomprom's choice of UrAsia was a "mystery," said Gene Clark, the chief executive of Trade Tech, a uranium industry newsletter.

"UrAsia was able to jump-start the whole process somehow," Mr. Clark said. The company became a "major uranium producer when it didn't even exist before."

A Profitable Sale

Records show that Mr. Giustra donated the \$31.3 million to the Clinton Foundation in the months that followed in 2006, but neither he nor a spokesman for Mr. Clinton would say exactly when.

In September 2006, Mr. Giustra co-produced a gala 60th birthday for Mr. Clinton that featured stars like Jon Bon Jovi and raised about \$21 million for the Clinton Foundation.

In February 2007, a company called Uranium One agreed to pay \$3.1 billion to acquire UrAsia. Mr. Giustra, a director and major shareholder in UrAsia, would be paid \$7.05 per share for a company that just two years earlier was trading at 10 cents per share.

That same month, Mr. Dzhakishev, the Kazatomprom chief, said he traveled to Chappaqua, N.Y., to meet with Mr. Clinton at his home. Mr. Dzhakishev said Mr. Giustra arranged the three-hour meeting. Mr. Dzhakishev said he wanted to discuss Kazakhstan's intention — not publicly known at the time — to buy a 10 percent stake in Westinghouse, a United States supplier of nuclear technology.

Nearly a year earlier, Mr. Clinton had advised Dubai on how to handle the political furor after one of that nation's companies attempted to take over several American ports. Mrs. Clinton was among those on Capitol Hill who raised the national security concerns that helped kill the deal.

Mr. Dzhakishev said he was worried the proposed Westinghouse investment could face similar objections. Mr. Clinton

told him that he would not lobby for him, but Mr. Dzhakishev came away pleased by the chance to promote his nation's proposal to a former president.

Mr. Clinton "said this was very important for America," said Mr. Dzhakishev, who added that Mr. Giustra was present at Mr. Clinton's home.

Both Mr. Clinton and Mr. Giustra at first denied that any such meeting occurred. Mr. Giustra also denied ever arranging for Kazakh officials to meet with Mr. Clinton. Wednesday, after The Times told them that others said a meeting, in Mr. Clinton's home, had in fact taken place, both men acknowledged it.

"You are correct that I asked the president to meet with the head of Kazatomprom," Mr. Giustra said. "Mr. Dzhakishev asked me in February 2007 to set up a meeting with former President Clinton to discuss the future of the nuclear energy industry." Mr. Giustra said the meeting "escaped my memory until you raised it."

Wednesday, Mr. Clinton's spokesman, Ben Yarrow, issued what he called a "correction," saying: "Today, Mr. Giustra told our office that in February 2007, he brought Mr. Dzhakishev from Kazatomprom to meet with President Clinton to discuss the future of nuclear energy."

Mr. Yarrow said his earlier denial was based on the former president's records, which he said "show a Feb. 27 meeting with Mr. Giustra; no other attendees are listed."

Mr. Dzhakishev said he had a vivid memory of his Chappaqua visit, and a souvenir to prove it: a photograph of himself with the former president.

“I hung up the photograph of us and people ask me if I met with Clinton and I say, Yes, I met with Clinton,” he said, smiling proudly.

David L. Stern and Margot Williams contributed reporting.

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